

**LEGISLATIVE SERVICES AGENCY
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FISCAL IMPACT STATEMENT

LS 6878

BILL NUMBER: SB 223

NOTE PREPARED: Jan 2, 2010

BILL AMENDED:

SUBJECT: Mortgage deduction.

FIRST AUTHOR: Sen. Holdman

FIRST SPONSOR:

BILL STATUS: As Introduced

FUNDS AFFECTED: **GENERAL**
 DEDICATED
 FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill amends the eligibility requirements for the mortgage deduction in the case of property on which a lien has been filed to secure a line of credit and for which there is no other mortgage that would otherwise entitle the owner of the property to the mortgage deduction. It provides that such property is entitled to the mortgage deduction only if the owner annually files a statement with the county auditor attesting that on the date the statement is filed the outstanding amount that is owed by the owner under the line of credit is at least \$3,000.

Effective Date: Upon passage.

Explanation of State Expenditures: The Department of Local Government Finance (DLGF) would have to prescribe a form on which the taxpayer would attest that the outstanding amount owed under the line of credit is at least \$3,000. Under current law, taxpayers have to file a form to receive the mortgage deduction so this form could probably be modified to accommodate this requirement. This is expected to be within the Department's routine administrative functions.

Explanation of State Revenues:

Explanation of Local Expenditures:

Explanation of Local Revenues: Under current law, a person may receive a property tax deduction from the assessed value of mortgaged real property, an installment loan financed mobile home or manufactured home that the person owns or is contracted to purchase. The deduction for a particular year is limited to the minimum of the balance of the mortgage, one-half of the assessed value of the property, or \$3,000.

Current law also extends the deduction to a taxpayer who does not have a traditional mortgage on the property but has used the property to secure a line of credit. For property taxes payable in 2011 and after, this bill restricts the deduction in these circumstances to taxpayers whose outstanding balance on the loan is at least \$3,000. Each year, the taxpayer would have to verify with the county auditor that the outstanding balance is at least this amount.

As this bill restricts the deduction to outstanding balances over \$3,000, counties should see an increase in the tax base over time. The increase in the tax base would result in a tax shift to all other property in the form of a decreased tax rate. The specific amount of the increase in the tax base and the consequent reduction in the tax rate is indeterminable at this time.

State Agencies Affected: DLGF.

Local Agencies Affected: Counties.

Information Sources:

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